

Message Text

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ACTION EB-07

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INFO AMEMBASSY BANGKOK
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AMEMBASSY SINGAPORE

UNCLAS KUALA LUMPUR 7475

HONG KONG FOR TREAS REP SHARPE

E.O. 11652: N/A
TAGS: EALR, MY
SUBJECT: MALAYSIAN GOVERNMENT BUDGET FOR 1977

1. SUMMARY: GOM 1977 BUDGET APPROVED BY PARLIAMENT. BUDGET EXPANSIONARY IN NATURE AND WILL REQUIRE \$M3,278 MILLION IN DEFICIT FINANCING. IF WORLDWIDE ECONOMIC RECOVERY NOT UP TO EXPECTATIONS GOM EXPECTED TO TAKE EVEN MORE ACTIVE ROLE IN ECONOMY TO MEET THIRD MALAYSIA PLAN GOALS. END SUMMARY.

2. MALAYSIAN PARLIAMENT HAS APPROVED THE GOM'S 1977 BUDGET AS PRESENTED. BUDGET IS MADE UP OF TWO MAJOR CATEGORIES: OPERATING EXPENSES AND DEVELOPMENT EXPENDITURES. OPERATING EXPENSES FOR 1977 ARE PROJECTED TO BE M\$6,301 MILLION (UP 12.5 PERCENT OVER 1976) WHILE DEVELOPMENT EXPENDITURES WILL BE M\$4,694 MILLION (31 PERCENT OVER 1976). OVERALL INCREASE IN EXPENDITURES DESIGNED TO MAKE UP SHORTFALLS IN 1976 ACHIEVE-
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MENT OF THIRD MALAYSIA PLAN (TMP), PARTICULARLY IN AREA OF INVESTMENT. THIS BUDGET DESIGNED TO INCREASE GNP BY NINE PERCENT IN REAL TERMS IN 1977. (NOTE: MALAYSIAN RINGGIT 1 EQUALS U.S. 40 CENTS APPROXIMATELY).

3. GOM TAX REVENUES FOR 1977 ARE PROJECTED TO BEM\$6,354

MILLION. (NOTE: WHILE GOM HAS BUDGETED M\$4,694 MILLION FOR DEVELOPMENT EXPENDITURES IN 1977 THEY ANTICIPATE ONLY .M\$3,371 MILLION ACTUALLY BEING DRAWN DOWN DURING THAT TIME FRAME). OVERALL 1977 DEFICIT IS ESTIMATED AT M\$3,278 MILLION OF WHICH MAJORITY WILL BE FINANCED BY DOMESTIC BORROWING. FOREIGN BORROWING IS ESTIMATED AT M\$900 MILLION FOR THE YEAR.

4. COMMENT: EXPANSIONARY NATURE OF 1977 BUDGET IS DESIGNED TO MAKE UP FOR SHORTFALLS IN REACHING 1976 GOALS OF TMP. MAJOR SHORTFALL IN 1976 WAS PRIVATE INVESTMENT WHICH INCREASED ONLY THREE PERCENT, AS COMPARED TO GOAL OF TEN PERCENT, IN REAL TERMS. GOM HAS BASED BUDGET PREDICTIONS ON FIVE PERCENT REAL GROWTH RATE, AND CONTINUED DEMAND FOR PRIMARY COMMODITIES, IN OECD COUNTRIES DURING 1977. IF GROWTH RATE IN DEVELOPED COUNTRIES FAILS TO ACHIEVE THAT LEVEL GOM WILL BE FORCED TO TAKE EVEN MORE EXPANSIONARY POSITION IN ORDER TO MEET TMP GOALS.
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